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Supreme Court of the United States

October Term, 1944

No. 28

WALTER C. BENTLEY AND CHARLES BENTLEY, JR. PETITORS

VERSUS
REYNOLDS CLARK AND BLANCH CLARK, JR. RESPONDENTS

THIS CHANCERY

Respondent

**NOTICE FOR REMOVAL AND
CLASSIFICATION OF DEEDS**

**IN REPLY TO PETITIONERS IN SUPPORT OF
NOTICE FOR REMOVAL AND
CLASSIFICATION OF DEEDS**

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1964

No. 20

WALTER C. BRULOTTE AND CECILIA BRULOTTE, HIS WIFE
AND
RAYMOND CHARVET AND BLANCHE CHARVET, HIS WIFE,
Petitioners.

V.

THYS COMPANY,

Respondent.

**MOTION FOR REHEARING AND
CLARIFICATION OF OPINION**

Now come Petitioners and respectfully move the Court to grant a rehearing and to clarify the majority opinion rendered November 16, 1964 in the manner and for the reasons stated in the accompanying brief.

Certificate

The instant motion and the brief in support thereof are believed to be well founded and are presented in good faith and not for delay.

Respectfully submitted,

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THYS COMPANY,

Respondent.

**BRIEF OF PETITIONERS IN SUPPORT OF
MOTION FOR REHEARING AND
CLARIFICATION OF OPINION**

I. The Clarification Requested

At page 4 of its opinion, the majority flatly held the licensing agreements in suit to be unlawful. The opinion states:

"In light of those considerations, we conclude that the use by a patentee of royalty agreements that project beyond the expiration date of the patent is unlawful *per se*."

The conclusion of the opinion states without qualification that the decision of the court below is "*Reversed*."

Notwithstanding these unqualified holdings, Respondent contends that the decision below was only partially reversed. Respondent contends that it is entitled to collect royalties *at the full rate* until the last patent allegedly used in Petitioners' machines expired on August 13, 1957. Respondent's contention is based on that portion of the opinion which states:

"We conclude that the judgment below must be reversed *insofar as* it allows royalties to be collected which accrued after the *last* of the patents incorporated into the machines had expired. [Op. p. 2] [Emphasis added.]

* * * * *

"... We share the views of the Court of Appeals in *Ar-Tik Systems, Inc. v. Dairy Queen, Inc.*, 302 F. 2d 496, 510, that after expiration of the *last* of the patents incorporated in the machines 'the grant of patent monopoly was spent' and that an attempt to project it into another term by continuation of the licensing agreement is unenforceable." (Op. p. 5) (Emphasis added.)

This petition should be granted for the reasons hereinafter stated.

1. The opinion is subject to inconsistent constructions on the important questions concerning misuse which it purports to decide.

2. Construed as Respondent insists, the opinion would constitute a *reversal* of the fundamental rule which denies a patentee the emoluments of patent ownership until the consequences of misuse have been dissipated. This rule was emphasized in *U. S. Gypsum Co. v. National Gypsum Co.*, 352 U.S. 457, 1 L. Ed. 2d 465, 77 S. Ct. 490 (1957) in the following language:

"... It is now, of course, familiar law that the courts will not aid a patent owner who has misused his patents

to recover any of their emoluments accruing during the period of misuse or thereafter until the effects of such misuse have been dissipated, or 'purged' as the conventional saying goes. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 315 U.S. 788, 62 S. Ct. 402, 86 L. Ed. 363; *B. B. Chemical Co. v. Ellis*, 314 U.S. 495, 62 S. Ct. 406, 86 L. Ed. 367; *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 67 S. Ct. 416, 91 L. Ed. 374; *MacGregor v. Westinghouse Electric & Mfg. Co.*, 329 U.S. 402, 67 S. Ct. 421, 91 L. Ed. 380; *Mercoid Corp. v. Minneapolis Honeywell Regulator Co.*, 320 U.S. 680, 64 S. Ct. 278, 88 L. Ed. 396. The rule is an extension of the equitable doctrine of 'unclean hands' to the patent field." (352 U.S. 463, 465)

Petitioners believe that this Court did not intend to abolish or qualify the rule which requires that a patentee purge the consequences of misuse as a prerequisite to further enjoyment of the patent privilege. This belief finds support particularly in those portions of the majority opinion which recognize the analogy between the misuse inherent in the patents in suit and the enlargement of "the monopoly of the patent by tying the sale or use of the patented article to the purchase or use of unpatented ones" (Op. p. 5).

Manifestly, there is no rational basis for excluding misuse consequent from use of the leverage of the patent to obtain *post-expiration royalties* from the purging requirement heretofore universally applied.

No reason exists for permitting Respondent, which has misused its patents by post-expiration royalty contracts, to enjoy benefits which are denied to the perpetrators of other forms of misuse. Far from attempting to purge, Respondent insists on collecting a full measure of royalties notwithstanding its misconduct. And Respondent has filed at least

eight additional lawsuits in the state courts of Washington seeking to enforce similar contracts.

3. The situation is particularly aggravated in this case because "*the period of misuse*" began when the first patent was declared invalid in 1953.¹ Respondent demands payment by Petitioners of that portion of the specified royalty allocable to the six patents allegedly used in Petitioners' machines but which expired prior to the August 13, 1957 expiration date of the youngest patent allegedly so used. Respondent insists that continuing royalty on these six expired patents must be paid at an undiminished rate until August 13, 1957, notwithstanding the fact of expiration of all six prior to that date. So construed, the present licenses would, of course, constitute

"... royalty agreements that project beyond the expiration date of the patent" and hence would be "unlawful per se" (Op. p. 4).

Since the stated royalty was agreed upon as a fair rate for the entire package of the seven allegedly used patents, it is inescapable that the licenses, to be lawful, should have provided for the diminution of the royalty as the various patents expired.

This indeed was the holding of the Court of Appeals in *Ar-Tik Systems, Inc. v. Dairy Queen, Inc.*, 302 F. 2d 496 (3 Cir. 1962), cited with approval by the majority. In *Ar-Tik Systems* the court, quoting verbatim from its prior

¹ Patent 2,226,000 is not even allegedly used in Petitioners' machines. Hence the youngest patent involved is 2,211,357 issued August 13, 1940. Of the six remaining patents allegedly involved, patent 2,114,712 was held invalid in 1953; three patents Nos. 2,114,727, 2,116,006 and 2,138,529 expired in 1958; and two patents 2,187,526 and 2,193,354 expired by March 12, 1940. Hence it is self evident that the predominate consideration for the royalty payment "was spent" long prior to the August 13, 1957 expiration date of the "youngest" of the "used" patents.

decision in *American Securit Co. v. Shatterproof Glass Corp.*, 268 F. 2d 769 (3 Cir. 1959), stated:

"We conclude also, and quite apart from all of the foregoing, that Paragraph 8(a) of Securit's Standard Licensing Agreement which provides that that agreement shall continue 'in full force and effect to the expiration of the last to expire of any' of Securit's patents set out in 'Schedule A' constitutes a patent misuse for it extends the payment of royalties of patents under patents which may expire to the expiration date of that patent most recently granted to Securit. . . ." (Emphasis added) (302 F. 2d 496, 509)

It should be noted that the interpretation of the majority opinion by Respondent is inconsistent with the position of the United States as *amicus curiae*. The *amicus curiae* brief under the heading "Interest of the United States" states:

"... The United States is concerned that permitting a patentee to collect royalties for use of a patent after it has expired would constitute an unwarranted extension of the limited monopoly which the patent laws permit, and, therefore, would be detrimental to our basic federal policy of free competition."

Respondent's construction of the majority opinion is but an effort to accomplish indirectly what cannot be accomplished directly. Manifestly, a package license agreement which continues a royalty at an undiminished rate notwithstanding the expiration of some of the licensed patents during the contract term is a "legal device" for the "projection of the patent monopoly after the patent expires" and is, therefore, "unenforceable."

II. Conclusion

In view of the construction placed by Respondent on the majority opinion, it is requested that this motion be granted to foreclose unnecessary proceedings in the courts below.

The requested clarification will also obviate possible controversy in other cases concerning propriety of package licenses in view of the *per se* illegality of post-expiration royalty agreements.

Finally, the clarification will be of assistance to the Tenth Circuit Court of Appeals in the disposition of the case of *Well Surveys, Inc. v. McCullough Tool Co.* in which decision has been reserved pending the disposition of this Court of this case.

Respectfully submitted,

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